

# Property Tax and Assessment Practices

## \*\*\*Testimony Regarding General Assessment Practices\*\*\*

### I. Missouri State Tax Commission (STC), Bruce Davis, Chairman- July 14, 2005

#### A. Assessment

1. The local county assessor is responsible for assessing all taxable property in his jurisdiction except those that are assessed by the commission
2. The commission assesses personal property of airlines, railroads, electric companies, telephone companies, pipelines, and similar public utilities
3. There are 2 types of assessors, elected and appointed
4. Assessors must base their assessment on “true value in money,” synonymous with the fair market value of the property, except in the case of agricultural property where the true value is based on the productive use of the land
5. Assessment percentage (rate) for different types of property
  - a. Residential- 19% of real property
  - b. Agricultural- 12% of real property
  - c. Utility/Commercial- 32% of real property
  - d. Personal- 33.33% of real property

#### B. Assessment Plan

1. Each county must develop and implement a comprehensive assessment plan agreed upon by the county assessor, county commission, and the STC
2. The state reimburses local jurisdictions for about half of their assessment costs, provided that the county is in compliance with their assessment plan
3. The plan begins in the even numbered year and frames the tax day (January 1<sup>st</sup>), providing enough time before and after tax day to gather market information, review properties, determine market tendencies, and adjust assessments accordingly
4. The plan includes a statement, budget, and a detailed timeline of how the plan is to be implemented

#### C. Valuation and Oversight

1. After approval by the STC of the plan, each assessor follows through with the plan
2. The employees of the STC’s Technical Assistance Section perform routine visits to assist the counties and determine if the county is in compliance with the assessment plan- if the STC finds that the county is not in compliance, the state can withhold state reimbursement funds until the matter is resolved
3. The STC may also issue orders to assessors to enforce the law and assure uniform treatment of property throughout the state (intercounty equity)

#### D. Calculation of Taxes

1. True Value X Assessed Rate X Applicable Tax Rate = Tax
2. Example: True value = \$90,000
  - Applicable Tax Rate = \$6.30 per \$100 of true value
  - Assessed Rate (Residential) = 19%
  - $90,000 \times .19 \times .063 = \$1,077.30$

#### E. Ratio Studies

- The STC conducts studies, referred to as “ratio studies” to determine local assessment levels and quality

##### 1. Ratio Study Methodologies

- a. Appraisal Ratio Study (Currently used by the STC)
  - 35-50 parcels are randomly selected within each subclass of property
  - STC staff appraisers gather market costs, market sales data, and market rental information in the county and use the data to establish values for each property
  - Commission appraiser supervisor checks to see if appraisal is in compliance with standards
  - The final values of the parcels are compared to those of the assessor and from that mathematical equation, a “ratio” is established
- b. Appraisal Ratio/ Sales Ratio Hybrid
  - The population is stratified and a statistically validated number of sales is used in each stratum
  - If an adequate number of sales is not available, then appraisals are used to fulfill the statistical requirements
  - The Commission recommends that this be the type of study used to determine the assessment value
- c. Sales Ratio Study
  - Sales are gathered and verified to be arm’s length transactions and not to include personal property, financing incentives, or other factors that may skew their usefulness as market indicators
  - The verified sales are then time adjusted to the tax date, and compared against the jurisdiction’s property tax assessments

#### F. Appeal Process

1. Informal Meeting with Assessor
2. Board of Equalization
3. State Tax Commission hears the case
4. Judicial Review

#### G. Authority, Organization, and Functions of the STC

- The STC has 6 basic functions
  1. Equalize Assessments
  2. Conduct de novo judicial hearings regarding valuation and classification appeals from local boards of equalization
  3. Formulate and implement statewide assessment policy

4. Supervise local assessing officials and programs
5. Conduct ratio studies to determine assessment level in each county
6. Assess the distributable property of railroads and public utilities
- The staff of the commission is divided into 5 sections
  1. Administration
  2. Legal
  3. Ratio Study
  4. Original Assessment
  5. Technical Assistance

#### H. Impediments to the STC's duties

1. Certificate of Value
  - Assessors are required to assess property based on market value
  - In 111 of the 115 districts, sales information can only be gathered if a buyer or seller is willing to provide it voluntarily
  - The STC has a more difficult time gathering sales information than do the local assessors
  - Without data, it is extremely difficult for the commission to evaluate the accuracy of a county's assessment program
2. Budget Constraints
  - Over the last 3 years, the STC's budget has been cut by 30%
  - While efficiencies have offset some of these cuts, the STC feels they are inadequately funded to assist and monitor local assessors
3. Litigation
  - When equalizing values or when reimbursement funds are withheld, costly and time-consuming litigation can result
  - The county then may suffer from a loss of funds because the books are closed and tax bills were sent and paid

## II. **Missouri Assessor's Association, Shawn T. Ordway and Randy Holman- September 7, 2005**

### A. Challenges

1. Disparity of resources from county to county- each county is different relative to economic trends, property types, market conditions, external influences, etc.
2. Difficulty in obtaining adequate sales data- certificate of value
3. Personal property requires a disproportionate amount of resources while representing a small part of assessed property
4. CAMA software requires much maintenance, high labor effort, and is not uniform throughout Missouri- different counties use different types of CAMA software
5. Most counties do not have the resources to hire commercial appraisers
6. Must meet the demands and expectations of the public and make their records available to the public
7. Must defend their valuations in appeal processes- the association does not have the resources to hire experts to defend the valuations

8. Staff Turnover- Many staff members work for the association for training and experience purposes
9. The 2 year cycle is necessary but expensive
10. Adequate and secure funding

B. Strengths of Current Assessment Practices

1. High degree of scrutiny from the General Assembly, the State Tax Commission, political subdivisions and taxpayers, causing assessment officers to make records more readily available to the public
2. The State Tax Commission has general oversight of county assessors and assessment practices
3. The 2 year assessment cycle allows for in-depth and individual analysis of each county's assessment program
4. The education and training of assessors is provided by the Missouri Real Estate Appraisers Commission and normally taught by I.A.A.O. instructors
5. The staff is knowledgeable and competent
6. Strong set of property assessment laws that have withstood the test of time

C. MSAA involvement in Assessment Practices

1. Provides I.A.A.O. level education classes, twice per year, for all assessors and their staffs
2. Produces the Personal Property Valuation Guide used statewide in the valuation of vehicles
3. Organizes the annual conference for assessors
4. Meets with the STC to establish livestock values on a yearly basis
5. Communicating the position of assessors on several bills
6. Communicating with other state and local agencies
7. Regional groups hold regular meetings to keep assessors informed and hear concerns regarding assessments
8. MSAA website, which will go live in September 2005

D. Suggestions to Benefit the Assessment Process

1. Certificate of Value- to address Challenge #2
2. Regional Commercial Appraisers- to address Challenge #5
3. Updated hardware and software system- to address Challenge #4
4. GIS- Digital Mapping
5. Building permits to track new construction- some counties do not have a building permit system
6. Central repository for commercial and other sales for statewide assessors' use
7. Adequate personnel resources- to help with on-site reviews
8. Proficient training and resources for staff
9. More funding/money resources

E. Conclusions

1. Assessors do an enormous workload, are held to extremely high standards on a tight budget

2. Assessors job is to equalize assessments providing uniformity, consistency, and fairness to the property tax system
3. Personal property functions take a disproportionate time of assessors' time and resources
4. Assessors lack an adequate sales reporting system, updated software/hardware, etc. that would greatly improve the assessment program in Missouri
5. Progress is being made to communicate and work together with interested parties
6. The MSAA welcomes any suggestions the committee may have and stands willing to work with the committee on any and all issues relating to assessment

### **III. Steve Gardner- UMSL, Public Policy Research Center- August 8, 2005**

#### **A. Past Reassessment Practices- 1970s**

1. Perceptions by many that assessments were unequal both within and between counties (intracounty and intercounty)
2. George Lehr, the State Auditor at the time, conducted his own ratio study that showed dramatic differences between the counties at a time when the State Tax Commission was routinely reporting virtually all counties in compliance with the legally prescribed levels, adding much credence to what before had been merely a perception
3. A lawsuit regarding St. Louis County assessment practices were moving through the courts
4. Various education interests were claiming that the system in practice was serving them poorly

#### **B. 1979- The Pivotal Year**

1. The legislature passed a bill requiring state-wide reassessment, strengthening the rollback law and providing funding for county assessors
2. Missouri Supreme Court ruled that St. Louis County assessment practices were unconstitutional and made clear that the STC had the powers to act broadly to affect equity within counties and between counties
3. The STC ordered all counties to begin planning to implement a complete reassessment

#### **C. The Next 5 Years**

1. The STC set up three sub-classes of real property- residential, commercial, and utilities- and designated ratios to each class
2. Three errors were made-
  - a. The STC should have designated a single computer system for the counties' use in property assessment
  - b. The issue of capturing sales prices should have been resolved- Certificate of Value
  - c. Much of property tax law was written prior to the creation of the subclasses and biannual assessments- therefore the progress and

the ability to maintain the improved results were already compromised by antiquated law

D. The Current Time

1. Current law doesn't acknowledge advances in technology, statistics, the standards of the assessment profession, etc.
2. Current law is out-of-date and often in conflict with the requirements of bi-annual assessment and multiple sub-classes of real property
3. Missouri has no statutory standards by which to measure the adequacy of its assessment results
4. Missouri is the only state of 50 that conducts its ratio study on the basis of appraisals (except California which has a unique system)
5. Certificate of value remains a controversial issue- rural legislators believes that it is an invasion of privacy
6. The legislature continues to enact new education formulas as necessary, but continues to ignore the certificate of value
7. Every two years a ratio study is conducted under far less than ideal circumstances to produce what might be called "magic equivalent ratios"- it seems as though when a county has a low ratio on one subclass of property, it often achieves a high ratio on another subclass- the result is a certification of compliance with overall requirements
8. It is rare that any county is found to be non-compliant- Why?
  - a. The process of using appraisals rather than sales to indicate market value is highly subjective, as is the multiple step appeal process
  - b. It is easier to find compliance when non-compliance entails major consequences, especially when the approach is subjective
  - c. The resources available to conduct the studies are inadequate
  - d. In some cases, strong political pressure is exerted
  - e. Legislatures in the past made it clear that they did not want a good ratio study
    - The statutes requires that if a county initially fails, the assessor can select properties to re-argue value
    - If still found non-compliant, the school district argues the value- generally meaning the assessor again
    - If still found non-compliant, the county may use the current year or the average of the best 3 of 4 years
    - Somewhere along the line, political pressure is exerted saying that the end result better not be schools or the assessor losing money
    - If the STC orders increased assessments at the local level, the county may not comply- resulting in a lawsuit
9. The rollback laws are incomprehensible, a lawyer familiar with the statute claims that the common interpretation is incorrect

E. Shifting Burdens

1. There has been an increasing burden on residential real estate from about 38% to about 48% of the total assessed value over the past 15-20 years

2. From 1984-Present, the share of agricultural burden has plummeted from about 12% to less than 3% of the total property tax revenue
  - a. The reasons for these changes are not known specifically, but the productivity values used by the STC on agricultural property are the same as in 1995, and less than in 1985
  - b. The studies that the STC commissions every two years from UM's Department of Agriculture suggests that the STC's values are not the appropriate ones
  - c. A great deal has happened over the course of the past 20 years to which the legislature has paid little attention
- F. 3 Suggestions to the Joint Committee on Tax Policy
  1. Ensure that the state aid for education uses good data
    - a. What if 1/3 of counties are assessing meaningfully below the state level, and 1/3 are assessing meaningfully above the level- billions of dollars would go to the wrong schools
    - b. It is the duty of the legislature to do whatever it takes to assure that the correct information regarding local need and local ability is plugged into the formula so that the next 30 billion dollars of schools aid goes to the right districts
  2. Missouri needs a systematic review of the laws and practices regarding the property tax- explanation for which is earlier in the testimony- one suggestion is to focus on intra-county value-setting and equalization in odd years, followed by a good ratio study providing adequate evidence for inter-county equalization, and complete the process with inter-county equalization in even-numbered years
  3. The state needs a strong State Tax Commission to enforce property tax assessment statutes

#### **IV. Missouri Growth Association, Sandy Rothschild- August 8, 2005**

- A. The Argument as to Why There is No Equalization
  1. There are no valid equalization studies performed by the State Tax Commission as required by law
  2. No equalization studies are available to boards of equalization and, thus, no board of equalization fully performs the duties imposed by statute
  3. The lack of equalization raises serious questions as to whether Missouri's property tax system is operating in compliance with constitutional requirements
  4. Many statutory provisions enacted before the State adopted three subclasses of real property (agricultural, commercial, and residential) are vague because it is unclear how the subclasses are to be handled
  5. Duties of the State Tax Commission are too broad and conflicting:
    - a. The STC supervises local assessors and boards of equalization
    - b. Hears contested assessment cases
      1. The STC has a preference for hearing cases versus issuing rules or supervisory orders

2. This way of handling issues violates the principles of uniformity because STC decisions do not establish a mandatory precedent; other counties do not have to follow the ruling and few assessors feel bound when the decision is in their county
3. The STC preference for waiting for contested cases rests, at least in part, because the Commission is granted a superior recognition as an authority when its decisions are review that does not exist when its rulemaking is reviewed or when it exercises supervisory authority. This policy ignores the cost to taxpayers and harm done by delay and uncertainty within the property tax system.
- c. The STC performs the only study that determines how well it has performed its supervisory duties over assessors. If this approach to grading were extended to Missouri public school children, we would have a State of straight A students.
- d. The STC acknowledged to the General Assembly that its funding is inadequate for it to properly perform all its duties and that it cannot perform those duties without a statewide certificate of value
- e. The STC is the State's expert on the subject of property taxes. It has called for enactment of a certificate of value for the past quarter century. Without a COV, it has repeatedly acknowledged that it and local assessors cannot adequately do their jobs. The question that should concern the General Assembly is how will a court treat these admissions from the State's expert?
- f. The STC hires hearing officers who also assist in developing Commission policy. If a case involves the legitimacy of one of their policies, will the taxpayer receive a fair and impartial hearing? Senator Loudon has announced plans to move all hearing officers to one agency. I endorse the recommendation.
6. Reports by the media regarding plaintiffs in the school funding lawsuit are inaccurate: my wife and I are plaintiffs on behalf of ourselves and the Missouri Growth Association. The plaintiffs are not exclusively school districts, contrary to media reports. And, as the commission has written, "The financial foundation of... public schools [is] dependent on the stable and reliable revenue source provided by the property tax."
- B. Provisions are Ignored by Assessors, Boards of Equalization, and the STC
  1. Many assessors fail to revalue property every two years as required by law. Despite this failure, the Commission still provides reimbursement.
  2. The technology utilized by many assessors is woefully outdated and unlikely to produce reasonable approximations of true value of money. Many small counties cannot afford to hire the technical expertise required in a mass appraisal setting to reliably have values approach true value in money.
  3. In the past five years or so, there has been an unprecedented rate of turnover of county assessors.



4. Reassessment plans call for all properties to be reinspected once every six years. In St. Louis County, according to a study in 2001 in conjunction with the “Drive-by Assessment Scandal,” ten percent of the counties parcels did not have qualifying inspections with some parcels showing the last inspection 20 or more years earlier.
5. There are numerous statutory declarations that there is no presumption that the assessor’s valuation is correct. Because there is no review of BOE proceedings, this dictate is widely ignored and taxpayers are unaware of its existence. The STC could/should monitor whether taxpayers are being treated according to law, but does nothing.
6. Before the assessor may increase the assessed valuation of any parcel of subclass (1) real property by more than fifteen percent since the last assessment, excluding increases due to new construction or improvements, the assessor shall conduct a physical inspection of such property.
7. Key points
  - a. The STC supervision of local boards of equalization is virtually non-existent.
  - b. The STC justifies its failure to supervise assessors and boards of equalization because its appeal hearings are de novo. This interpretation simply denies due process of law to property owners at board of equalization hearings.
  - c. Because so many statutory provisions are routinely ignored by assessors, boards of equalization, and the STC, Missouri’s property tax system may operate in a manner that consistently denies taxpayers due process of law.
  - d. The STC is of dubious accuracy. From personal experience, I have heard how some parcel appraisals stay in a county’s study while others are removed. In two words, it was “horse trading.” The merits or deficiencies of the contested appraisals were never discussed. It was a situation where the assessor and field appraiser agreed to “take these five out and leave these seven in.” Further, I have talked with former STC field appraisers, who acknowledge that their valuation numbers were altered after they had completed their work- by a STC higher-up who had no appraisal background or training and who had never inspected the subject parcel.
  - e. From personal observation, the STC appraisal work often was filled with errors. My knowledge comes from properties I represented and knew the occupancy level, rental rates, operating expenses, actual square footage and other relevant considerations. If the assessor had erroneously measured a building or disregarded the flood plain, those same errors would appear in the STC appraisal.
  - f. In a study determining the accuracy of STC ratio study appraisals sponsored by both the Missouri Growth Association and the Public Policy Research Center at UMSL, two out of three appraisals

showed substantial differences in two of the three assessment jurisdictions.

C. Recommendations

1. The duties of the STC should be divided so as to end internal conflicts. Supervision of assessor boards of equalization should be the Commission's primary duty. Hearing contested cases should be switched to another agency. The equalization study should be performed either by the State Auditor, since it measures how well the Commission is performing its duties, by some other agency (which could include one or more campuses of the University of Missouri) or a private company. There are several states that contract for their equalization study with a private vendor.
2. Having 115 county assessors is highly inefficient and produces substandard results. It also introduces an inordinate amount of political pressure into assessment practices. If Missouri had 4-6 assessment districts, the economy of scale would enable each district to acquire the appropriate technology and staff expertise that is all too often lacking in many assessor offices. If the changeover were to occur in 2008 or 2010, assessors and assessment personnel could plan for the change without suffering a sudden disruption.
3. Much of the testimony has criticized the performance of the STC; however, the STC is correct that a Certificate of Value is essential for assessors to perform their duties adequately. The Commission has been correct in its advocacy of a COV and we think this may carry considerable weight with the courts. A COV is also essential if the STC is to perform the Sales Ratio study called for by state statute. Having COVs would also enable the timely preparation of an equalization report while the first round of taxpayer appeals are being considered.
4. Lawsuits challenging the STC's orders should be filed either in Cole County, where the courts are accustomed to state agencies being sued, or a neutral county circuit court.
5. How equalization is to occur needs to be clarified.
6. The appeals process does not work well and frequently ignores the rights of taxpayers. There is a lack of communication between boards of equalization and the STC, and there is no standard for how boards of equalization are to administer their duties.
7. The legislature has passed numerous statutes imposing evidentiary burdens upon the assessor in residential cases. The appeals process needs greater accountability for property owners and for innocent taxing jurisdictions whose tax base is put at risk by uninformed and indifferent administrative enforcement.

V. **Ronald E. Levy- Property Owner- August 8, 2005**

- A. Missouri needs 1978 Proposition 13 of California where homeowners pay a tax on the purchase price of home

- B. Reassessment should be capped every year at 2% or to the realized growth of the Consumer Price Index
- C. Personal Property Tax should be eliminated
- D. Missouri is losing business due to the personal property tax

**VI. Carl Sandstedt- St. Charles City- County Library District- August 8, 2005**

- A. Personal Property- STC wholesale abandonment of assessments, large companies got depreciation, many pop stores paid full amount
- B. Missouri should reset everything, so no more personal property tax and shift it over to real property tax
- C. Overall, wants simplification

**VII. JoAnn Rudroft- Resident of Florissant Speaking on Senior Citizen Issues- August 8, 2005**

- A. Real Estate Taxes should be frozen for senior citizens until property is sold
  - 1. The loss of revenue that would occur from this plan would have to be replaced by Missouri's General Revenue fund
  - 2. Missouri would not be able to recover its loss of GR funds until the house is sold or inherited by a relative other than the spouse of the owner
  - 3. Senior Citizens must be at the point of poverty to be eligible for plan
- B. Senior Citizens are taking jobs from young to pay for property taxes

**VIII. Missouri National Education Association, Otto Fajen- August 8, 2005**

- A. TIFs- tax reduction incentives should only be granted on the basis of need
- B. School Districts should be able to keep whatever growth is realized by the Consumer Price Index
- C. Reassessment impact- likes the idea of separate rollbacks for the different types of property
- D. Be proactive about reassessments

**IX. Vanguard Appraisals, Bob Kocer and Robert Ehler- October 24, 2005**

- A. Vanguard assisted Iowa with reforming reassessment services
- B. The system used by Vanguard is the system used by 150 jurisdictions in the Midwest, 32 in Missouri- it is approved by the I.A.A.O.
- C. System promotes uniform evaluation of and between properties
- D. Iowa developed a centralized manual for assessments instead of a centralized software system
- E. Iowa Department of Revenue then conducts classes to teach how to interpret and implement the manual

**X. Public Policy Research Institute, Steve Gardner- December 5, 2005**

- A. It is Constitutionally required that Missouri equalize the 2.7 million parcels of property in the state
- B. Without equalization, the tax burden is unfair and unequally distributed

- C. There are 115 assessors with different skills, motivations, etc. that will produce different results for the 500 taxing authorities that cross county boundaries
- D. The primary means of achieving equalization is a good quality ratio study
- E. Recommendations for achieving equalization
  - 1. Contract out for a study of the effectiveness of Missouri's rollback laws and oversight and document any problems or concerns- study policy alternatives to address any problems that are found
  - 2. Collect additional sales information. Provide the STC with funding to shoulder the effort of obtaining voluntary sales disclosure. A supplemental appropriation is recommended for a quick start-up. Allow voluntarily supplied sales information to remain confidential within the government. Allow for the STC to enter in agreements with non-governmental parties to obtain and use proprietary information without making the information subject to the sunshine law. Prohibit sales chasing and impose penalties for violations.
  - 3. Prepare for a timely and reliable sales ratio study for use in accomplishing statewide equalization subsequent to the 2009 reassessment. Contract with an independent expert organization to assist in the design, implementation, conduct, and evaluation of the ratio study and related issues, and make recommendations for further improvement.
  - 4. Adopt regulations setting compliance standards that conform to those of the I.A.A.O. for level of assessment, uniformity, and vertical equity. Define the process for measuring compliance as well as a process and timeframe for curing non-compliance.
  - 5. The General Assembly may want to convene an advisory committee composed of representatives of assessors, collectors, county clerks, county courts, county prosecutors, the Missouri General Assembly, and the STC in order to reach a consensus recommendation that will assure effective enforcement while providing counties with reasonable due process. An effective process includes a means certain to resolve differences before mailing assessment change notices. If no consensus can be reached, the General Assembly retains the authority to act, and should.
  - 6. Develop and implement a timetable for all of the changes to the process.
  - 7. Hire an executive director to take charge of the executive functions of the STC. Erect a "Chinese Wall" whereby the commissioners do not participate in these functions, except in two circumstances. First, the STC should retain the authority to accept or deny regulations proposed by the executive staff. Second, the STC should act as an arbiter or final authority in disputes between counties and executive staff. Provide the new director with funds to begin rebuilding the staff and capability of the executive function of the STC as well as some reasonable discretionary funds for tackling issues as they arise.
  - 8. Provide a pool of funds for improvement grants to disburse to counties based on merit, need, local match funds, etc. While the state needs to

- continue to provide base funding on a parcel basis, some of the growth in funding can be performance based- in the short run, meaning improvement. In the longer term, consider awards for excellence, but not until measurements improve.
9. Create a permanent advisory committee with a broad mission to engage all relevant state and local offices and sources of expertise to improve Missouri's property tax administration and use of property data. Local officials represented to include assessor, collector, recorder, and clerk. State executive officials represented to include STC, Auditor, GIS, Attorney General, and Governor. State legislative officials represented to include appropriations, tax policy, and local government policy. Special others to be represented to include various experts from academia or private industry.
  10. Conduct a feasibility study, examining a variety of options for moving toward a standardized statewide software system that is state of the art for all functions related to property as the state and local level. Assign the task to an advisory committee similar to one described in previous recommendation.

**\*\*\*Testimony Regarding Property Tax Rollbacks\*\*\***

**XI. Property Tax Rollbacks- Constitutional and Statutory Requirements- Jason Zamkus Memo**

A. Article X, section 22 of the Missouri Constitution states-

"if the assessed valuation of property as finally equalized, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the general price level from the previous year, the maximum authorized current levy applied thereto in each county or other political subdivision shall be reduced to yield the same gross revenue from existing property, adjusted for changes in the general price level, as could have been collected at the existing authorized levy on the prior assessed value." Basically, if the assessed value of property within a political subdivision increases by an amount greater than the increase in the general price level, exclusive of new construction and improvements, the political subdivision must roll back property tax rates, adjusted for changes in the general price level in order to maintain revenue neutrality.

B. Section 137.073, RSMo, requires-

"when changes in assessed valuation are entered in the assessor's books, all political subdivisions shall immediately revise the applicable rates of levy for each purpose for each subclass of real property, individually, and personal property in the aggregate, for which taxes are levied to the extent necessary to produce from all taxable property, exclusive of new construction and improvements, substantially the same amount of tax revenue as was produced in the previous year for each subclass of real property, individually, and personal

property in the aggregate, except that the rate may not exceed the greater of the rate in effect in the 1984 tax year or the most recent voter-approved rate."

As provided in Article X, section 22 of the Missouri Constitution, a political subdivision may revise each property tax levy to allow for inflationary assessment growth occurring within the political subdivision. However, the inflationary growth factor for any subclass of real or personal property is limited to the actual assessment growth in such subclass, exclusive of new construction and improvements, and exclusive of the assessed value of any real property which was assessed by the assessor of a county or city in the current year in a different subclass of real property, but not to exceed the consumer price index or five percent, whichever is lower.

**C. Summary-**

When there is an increase in assessed valuation in excess of the general price level, a political subdivision must roll back property tax rates to maintain revenue neutrality while still allowing for inflationary growth, but such growth is limited to the lower of the increase in the consumer price index or five percent.

**XII. Kirkwood Public Library, Liz Walker- August 8, 2005**

- A. Kirkwood library has a voter approved tax rate of 24 cents, however complying with rollbacks, it will only levy a 19 cent tax 20% less than the ceiling
- B. Publicly post current tax rate and tax ceiling
- C. 85% of its revenue comes from property tax
- D. The Kirkwood public library gained a little over 3% from new construction
- E. Kirkwood city is rolling back rates
- F. Liz Walker's property tax on her residence is down 8% this year, but it has been up nearly 20% in the past

**XIII. David Glaser- Chief Financial Officer of Rockwood School District- August 8, 2005**

- A. Property Tax is one of three largest funding mechanisms for schools
- B. Study of assessment practices should be done
- C. Is putting together empirical evidence regarding discrepancies in assessments
- D. Working to do study of 5 counties, then 20 more, then 10 more
- E. Wants the report produced by the committee to have statistically valid numbers and accurately reflect what is going on
- F. Missouri needs a reliable assessment practice so money is distributed equitably under formula

**XIV. Tony Hiesberger- Cole County Presiding Commissioner- September 7, 2005**

- A. Take a look at jurisdictions that are not lowering tax rates
- B. Gave example of Jefferson City 7-8% increase in assessed valuation without rolling back the tax rates

**XV. Chris Straub- Missouri School Board Association- September 7, 2005**

- A. Schools get money from state assessed railroad property, etc. based on the average of all the area schools' rate
- B. Missouri Constitution and laws regulate the tax rate ceiling
- C. School districts can levy \$2.75 for operating expenses without voter approval due to Constitutional Amendment #3 (1998)
- D. Residential assessment has been much higher than other types of property
- E. Make everyone have multi-tax rate- it would make reassessment less of a political issue
- F. Raise per parcel appropriation for assessors

**XVI. Edward Bushmeyer- City of St. Louis Assessor- August 8, 2005**

- A. St. Louis is one of four jurisdictions that has a Certificate of Value requirement- the city of St. Louis provides the STC with a quarterly analysis of the effectiveness of the COV requirement
- B. Home sale values have increased over 50% over the last two assessment cycles
- C. City of St. Louis finds the permit process helpful
  - 1. Permits obtained for construction projects in homes or businesses provide assessors an idea of the value that the construction adds to the property
  - 2. It is still difficult to determine an exact value of the house because they cannot go inside the house to look at its amenities
- D. During the current reassessment cycle, 108,000 notices were sent out to residential properties, 12,000 were sent out to commercial properties
- E. There has been however, a substantial increase of appeals- 682 in all this year
- F. It is extremely difficult for an assessor to predict how much a property owner's tax bill will change over the course of an assessment cycle
- G. Rollbacks
  - 1. 2 years ago- the city had a 2.4% rollback
  - 2. 2004 had a roll-up due to a decline in assessed valuation (personal property)
  - 3. 2005 expects a rollback in excess of 2.4%